

RETIREMENT BOARD PROFILES



The retirement board profiles included in this *Annual Report* provide the same information as last year, with the addition of a review of major audit findings from the most recent audit of each system and disability statistics, as well as a note regarding the status of the boards' dealing with Year 2000 computer issues. As has been stated in previous reports, investment performance is an integral component in improving the financial condition of pension plans.

Included in each profile is the investment objective and the rate of return employed in the most recent actuarial valuation. The connection between the two is vital. In order to avoid further unfunded liability the system must achieve a return on assets equal to or greater than the actuarial assumption. In the event the return exceeds the

assumption, a gain takes place resulting in an improvement in the financial condition of the system. A return below the assumption or an actuarial loss results in the creation of new or additional unfunded liability. For systems participating in PRIM, two performance figures are listed. The lower number is a rate of return that does not include the impact of the state appropriation. The higher number includes that impact.

In the last *Annual Report*, we stated that audit findings would be incorporated into future profiles. This year, a review of all audit findings was conducted and the most significant findings for each system are listed. In many cases it was determined that no significant findings had been found in the most recent system audit, and that fact is acknowledged.

NOTES TO PROFILES

** To outperform by 1% or greater a composite performance index consisting of 30% of the S&P 500 index and 70% of the Government/Corporate Bond index.

*** Bonds 2% premium and Stock 5% premium over long term inflation.

Note: Two return numbers are listed for systems that have participated in or are participating in PRIT

(Berkshire County, Dedham, Fairhaven, Gardner, Hingham, Milton, Minuteman, Montague, Needham, Northbridge, Reading, Saugus, Wakefield, and Weymouth) and as a result received state funds in 1998. The unbracketed number represents the return on investment. The number in brackets includes the impact of state funds provided to those systems.